

**Testimony**  
**U. S. House of Representatives**  
**Subcommittee on General Farm Commodities and Risk Management**  
**September 21, 2006**  
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**Kansas State University**

Thank you Mr. Chairman and members of the subcommittee for inviting me to testify. I began work in ag policy when I analyzed the consequences of the 1968 Feed Grain Program for my doctoral dissertation at Purdue University. It was my privilege to chair the Commission on 21<sup>st</sup> Century Production Agriculture authorized in the 1996 FAIR Act. When Mr. Moran invited me to testify today, he asked that I revisit the work of the Commission briefly.

The charge to the bi-partisan Commission was to examine the role of the Federal government in 21<sup>st</sup> century production agriculture. The Commission unanimously agreed that it was the role of the Federal government to provide a safety net under farm income with minimal market distortion. It was the definition of minimal market distortion that produced disagreement among the members of the Commission that resulted in minority views.

How do we achieve an effective system with minimal market distortion is really the question being debated today as we approach the next farm bill. Attached to this testimony is a figure that depicts the degree of market distortion. Decoupled Direct Fixed Payments provide a constant safety net and minimize market distortion. The marketing loan provides the most market distortion of the three major commodity payments. The countercyclical payment is less market distorting than the marketing loan since it is based on historical production whereas the marketing loan is based on current production.

The 1996 Farm Bill, known as Freedom to Farm, had as its flag ship program a decoupled direct fixed payment ratcheted down year by year to a minimal level. Primarily because of the severe down turn in the Asian economy, the minimum was never reached. In fact, the so-called transition payments were doubled. The Act was criticized as Freedom to Fail. I have often said it was both. If we want the freedom to farm the marketplace, that implies the freedom to fail.

In the 2002 Farm Bill, a countercyclical payment was added. If the goal was minimal market distortion, this was a step backwards. The interesting thing about the countercyclical program, in terms of a safety net, is that it is backwards. It pays farmers when they don't need it and it doesn't pay farmers when they do need it. If farmers get a crop, they have a chance of making a profit. A bumper crop will bring lower prices, but farmers have something to sell and if price is below target, there will be a countercyclical payment. If farmers don't get a crop, (the worst of all possible situations) the only commodity program that will help them is the decoupled direct fixed payment. The marketing loan won't help because it is based on current production. The countercyclical program won't help because price is likely to be above target. If what we want is a simple program that provides a safety net under farm income with minimal market distortion, the answer isn't rocket science - a decoupled direct fixed payment. This I will submit is what the

Doha Round is all about and that failure of those talks will lead to more rather than less market distortion. More rather than less need for commodity programs.

This farm bill, perhaps more so than previous ones, is much more than commodity programs. For example, nutrition and feeding programs, conservation, environmental quality, energy and rural development.

Allow me a brief comment on conservation and a more extensive comment on energy.

The 2002 Farm Bill is the “greenest” on record. We are clearly moving in the direction of conservation on “working” lands rather than “retired” lands especially if we fully fund the CSP. That means more conservation which is in society’s best interest. I don’t think that’s debateable.

The “new athletic kid on the block” is energy. I am an original member of the steering committee on 25 X 25. Twenty five percent of the energy consumed in this country by 2025 can be from renewables. There is a resolution moving through the Congress in both Houses, sponsored on both sides of the aisle to set 25 X 25 as a national goal. I urge you to sign on and pass it.

A vigorous energy plank in the farm bill can enhance the goal - research and development programs in cellulosic ethanol for example and perhaps even direct payments to grow switchgrass. Why 25 X 25? It is: (1) national security, (2) improved farm income, (3) lower cost energy, (4) environmental friendly and (5) jobs and rural development.

One last issue. Food and feed versus fuel. It is a misunderstood issue. By 2015, more ethanol will be produced from the cob and stover than from the kernel. The new mantra for American agriculture can be: food, feed, fiber and fuel.

I would also suggest to “round out” the safety net that a farm savings account be considered. I call it the squirrel principle. We encourage farmers to put away nuts for a bad winter. Pay into a savings account in good years and draw out in bad years when income falls below a threshold. A decoupled direct fixed payment, a farm savings account, conservation payments on working lands and a vigorous bio-energy development program can provide that safety net with minimal market distortion that the Commission suggested.

Thank you.

**BARRY L. FLINCHBAUGH, Ph.D.**

Dr. Barry L. Flinchbaugh is a Professor of Agricultural Economics at Kansas State University.

A native of York, Pennsylvania, Flinchbaugh holds B.S. in Animal Science (1964) and M.S. in Agricultural Economics (1967) degrees from Pennsylvania State University and a Ph.D. in Agricultural Economics (1971) from Purdue University. Flinchbaugh joined Kansas State University, Manhattan, Kansas, in 1971. He teaches a junior-senior level course in agricultural policy and lectures throughout Kansas and the nation on agricultural and economic policy. Flinchbaugh has received the Outstanding Teacher Award from KSU College of Agriculture students on three different occasions. From 1984 until 2004, Flinchbaugh served as the Kansas Extension Leader for Agricultural Economics.

For four years, Flinchbaugh served as Special Assistant to the President of Kansas State University (coordinating the information and public affairs activities of the University). Flinchbaugh served for five years as Chairman of the prestigious Alfred M. Landon Lecture Series on Public Issues.

Flinchbaugh has participated in two Japanese Trade Missions. He has led Kansas Agricultural People-to-People tours to the Soviet Union and European countries, the South Pacific, the Peoples= Republic of China and Africa.

He receives approximately 100 speaking invitations per year and is the author of 100-plus publications including an agricultural policy textbook. Flinchbaugh is a member of Rotary International, serves on the Board of Directors of the Kansas City Board of Trade , the Farm Foundation and Kansas Agricultural and Rural Leadership Inc.. Flinchbaugh served as Chairman of the Commission on 21<sup>st</sup> Century Production Agriculture authorized in the 1996 Farm Bill. Flinchbaugh has received the prestigious Hildreth Award for career achievement in public policy education, the Distinguished Service to Agriculture Award from the American Agricultural Editors Association and the Distinguished Service Award from the American Farm Bureau Federation.

Flinchbaugh is married to the former Catherine Scott, a 1969 KSU graduate originally from Washington, Kansas. They have two sons, David Lewis (KSU graduate/deceased), Dr. James Truman (a practicing veterinarian) and a daughter, Catherine Jeannette (attends Vermont Law School).